

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AF-06 ARA-06 EA-06 NEA-09

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 /129 W
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R 171424Z APR 75

FM U S MISSION GENEVA

TO SECSTATE WASHDC 2168

INFO AMEMBASSY BUDAPEST

USEC BRUSSELS 4484

C O N F I D E N T I A L GENEVA 2681

E.O. 11652: GDS

TAGS: GATT, ETRD, HU, EEWT

SUBJECT: HUNGARY'S POSITION IN GATT

1. SUMMARY. NYERGES ASKED U.S. COOPERATION IN UPCOMING GATT WP ON HUNGARY AND SAID WP ON FINLAND-HUNGARY MUST AVOID PHILOSOPHICAL DISCUSSIONS ABOUT SOCIALIST ECONOMIES. ALSO SAID EAST EUROPEAN COUNTRIES DO NOT WANT SINGLE TRADE AGREEMENT WITH EC AS A WHOLE. END SUMMARY.

2. HUNGARIAN GATT REPRESENTATIVE NYERGES CALLED ON DCM APRIL 16 TO PRESENT VIEWS ON DIVERSE RANGE OF GATT ISSUES. NYERGES NOTED WP ON FIRST BIENNIAL REVIEW CALLED FOR BY PROTOCOL OF ACCESSION WILL BE COMING UP SOON (NOTE: EXACT DATE NOT YET SCHEDULED) AND NOTED U.S. HAS TRADITIONALLY OPPOSED EC'S DISCRIMINATORY QRS AGAINST EAST EUROPEAN COUNTRIES. HE HOPED U.S. COULD BE HELPFUL IN WP. WE SAID WE OF COURSE HAD NO FINAL INSTRUCTIONS, AND WHILE WE HAD SOME DOUBT U.S. COULD BE VERY ACTIVE IN PRESSING EC ON HUNGARY'S BEHALF WE ASSUMED U.S. WOULD CONTINUE SUPPORT ELIMINATION OF QRS.

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3. NYERGES SAID EC HAS PROPOSED REPLACE VARIOUS BILATERAL AGREEMENTS BETWEEN EC AND EE COUNTRIES WITH SINGLE EC-WIDE AGREEMENT. THIS DIFFICULT FOR HUNGARY, SINCE EC AS UNIT NOT RECOGNIZED DIPLOMATICALLY. ALSO, HUNGARY HAS NO NEED FOR ANY BILATERAL AGREEMENTS, SINCE ALL TRADE POLICY ISSUES WERE SETTLED DURING GATT ACCESSION; ALL THAT REMAINS IS FOR EC TO COMPLY WITH GATT OBLIGATIONS. HE HINTED AT U.S. SUPPORT FOR HUNGARIAN REFUSAL TO ACCEPT EC-WIDE AGREEMENT. WE DEMURRED, POINTING TO LONG-STANDING U.S. POLICY ON EUR INTEGRATION. NYERGES ADDED THAT EC HAD SAID AGRICULTURE WOULD HAVE TO BE LEFT OUT; THIS UNACCEPTABLE TO HUNGARY AND OTHER EE COUNTRIES.

4. WITH RESPECT FINLAND/HUNGARY TRADE AGREEMENT (DATE FOR WP NOT YET SET), NYERGES SAID HUNGARY DIDN'T INTEND FURTHER STRAIN MFN PRINCIPLE BUT THOUGHT AGREEMENT MIGHT COUNTERBALANCE LARGE INFLUENCE OF EC. SAID HUNGARY FACING RESTRICTIONS IN EC AND CAN'T AFFORD PLACE ALL EGGS IN EC TRADE BASKET, THUS SEEKS ALTERNATIVES. HE ADDED HUNGARY UNHAPPY WITH RULES OF ORIGIN IN AGREEMENT BUT FINNS HAVE INSISTED ON SAME R/O AS IN EC-EFTA AGREEMENTS, ADDING HUNGARY SHARES U.S. CONCERN ABOUT EC/EFTA R/O. NYERGES ASKED WHAT WAS

U.S. POLICY ON FINLAND/HUNGARY AGREEMENT. WE SAID WHILE FINAL INSTRUCTIONS NOT FIXED, U.S. HAD OPENLY EXPRESSED RESERVATIONS ABOUT GATT CONSISTENCY IN COUNCIL. NYERGES SAID HE AWARE OF THIS, WANTED U.S. TO KNOW HUNGARY WOULD NOT PARTICIPATE IN PHILOSOPHICAL DISCUSSIONS ABOUT TRADING ROLE OF SOCIALIST COUNTRIES. SAID EC WANTS "RE-OPEN" THIS ISSUE, WHICH WAS ALREADY SETTLED IN PROTOCOL OF ACCESSION, AND ADDED IT NOT HUNGARIAN (READ EE) PURPOSE TO DISRUPT MARKETS. WE RESPONDED THAT WP TASK WOULD BE TO EXAMINE WHETHER A PARTICULAR COUNTRY COULD FULFILL ITS GATT OBLIGATIONS. DALE

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